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Oberon Fuels Comments on stakeholder discussion draft bill of the Clean Fuel Standard Act

Oberon Fuels is strongly supportive of the development and adoption of a New Mexico Clean Fuel Standard. In this comment we provide information on Oberon and DME to help provide context for how a Clean Fuel Standard can best incentivize new technologies, economic growth, and rapid decarbonization. We also offer tailored recommendations for improving the stakeholder discussion draft bill.

Background on Oberon Fuels and DME

California-based Oberon Fuels (Oberon) is an innovative company that has focused for over ten years on dimethyl ether (DME) transportation fuel, a powerful molecule that can be used to decarbonize transportation in three ways: 1) as a diesel fuel replacement, 2) as a blend with propane to reduce its carbon intensity, and 3) as a hydrogen carrier to power fuel-cell electric vehicles.

With initial DME production coming online in 2013, Oberon produced the first fuel-grade DME in North America and supplied DME for global vehicle demonstrations with partners such as Volvo Trucks, Mack Trucks, and Ford. In June 2021 Oberon began production of the first-ever renewable DME (rDME) in the United States, and the only current commercial production of this molecule in the world. As part of a $6 million project funded in part by a grant from the California Energy Commission, Oberon is converting waste methanol into rDME at its upgraded facility in Brawley, Calif. It is the first time this feedstock has been used to make rDME at commercial scale. In addition to waste methanol, other potential feedstocks include: biogas from dairy waste, food wastes, agricultural waste, as well as excess electricity and CO_2, resulting in ultra-low carbon to carbon-negative DME. DME produced under this CEC grant will be used to blend with propane to reduce its carbon intensity in transportation applications.

In addition to introducing a new renewable fuel, Oberon has already created 12 full-time jobs mostly in the Imperial Valley region of California. In ramping up under the project, we hired nine additional onsite personnel in the summer of 2020 in the Imperial Valley region when the area was experiencing 27% unemployment due to the COVID-19 pandemic.

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Oberon Support for New Mexico Clean Fuel Standard

As Oberon continues to build DME production capacity and to create market demand, the company is looking beyond California for opportunities to convert local waste streams, such as dairy manure, to low-carbon or carbon-negative DME and create local, family-wage, clean energy jobs. Because of New Mexico's significant dairy industry, the company has begun evaluating DME production in New Mexico. Despite Oberon's production model of local feedstock, local production, and local consumption, New Mexico's lack of a Clean Fuel Standard or other incentive structure make it difficult to justify in-state consumption of the end-product. The proposed Clean Fuel Standard Act would positively impact the project opportunities in New Mexico and enable the regions where the feedstock is located to benefit from the emissions reductions of local DME consumption as well as the creation of local, family-wage, clean energy jobs.

Tailored Recommendations to Draft Bill

1) ***Tie compliance credit generation to clean fuels objectives***
   In Section 3. D (5) the draft allows for credit generation from a wide array of industries. However, the compliance obligation is tied solely to transportation fuels. Therefore, the potential supply of credits is separate and unlimited relative to the regulatory demand. This is likely to lead to an oversupply and devaluation of credits and to create credits that may not result in real-world reductions in transportation fuel carbon intensity. The generation of credits should be limited to projects that reduce the carbon intensity of a transportation fuel.

2) ***Expand the definition of eligible vehicles to account for off-road and non-road vehicles***
   The bill is inclusive of use of electricity, liquid and gaseous fuels. We strongly support this broad vision. However, in the definitions in Section 2. J and L it limits applicability only to use of those fuels in "motor vehicles" which the New Mexico Motor Vehicle Codes defines as on-road vehicles. We are concerned that non-road vehicles used off of public rights-of-way such as forklifts may be exempt. Forklifts and non-road vehicles are ripe for decarbonization via transition to batteries, fuel cells, propane blended with rDME, renewable natural gas, and other options. They also have outsized benefits from using clean fuel to reduce criteria pollutants and improve air quality in ports, warehouses, and industrial areas and areas of concern for environmental justice.

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3) ***Consider non-transportation direct fuel use***
The draft bill is ostensibly a clean fuel standard, but in fact does not address many essential fuel markets that are directly combusting gasoline, diesel, natural gas, liquefied petroleum gas, and other fossil fuels today. We urge you to consider expanding the standard to cover non-transportation direct fuel use in small generators, pumps, and water and space heating.

We wholeheartedly support your efforts to create a Clean Fuel Standard and look forward to continuing to work with the state of New Mexico and its local entities to evaluate the opportunity to reduce emissions, create low-carbon or carbon-negative fuels, and create good-paying jobs.

Sincerely,

Rebecca Boudreaux

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Submitted via Email to: cleanfuel.standard@state.nm.us